



National Security Personnel System Fact Sheet October 2005

On October 26, 2005, the Department of Defense and Office of Personnel Management announced the submission of final regulations for the National Security Personnel System to the *Federal Register*. The final regulations define the rules for implementing a new human resources system for DoD civilian employees regarding pay and classification, performance management, hiring, workforce shaping, disciplinary matters, appeals procedures and a new labor-management relations system. Final regulations may be downloaded from the NSPS web site when published in the Federal Register (<http://www.cpms.osd.mil/nsps>).

Significant Changes to Final Regulations

The final regulations contain a number of changes as a result of the 58,000 comments received during the public comment period and input from the labor organizations during the statutory meet and confer period. Some of the changes are technical in nature, but there are many substantive changes as well. These changes:

- Provide a reconsideration process for performance ratings (includes grievance arbitration for bargaining unit employees)
- Limit who can put out issuances that can override collective bargaining agreements (Secretary of Defense, Deputy Secretary, Principal Staff Assistants, such as Under Secretaries of Defense, or Secretaries of the Military Departments)
- Change the mitigation standard for adverse action penalties to a standard similar to that recognized by Federal Circuit Courts; new standard will still make mission impact a primary consideration that arbitrators and Merit Systems Protection Board (MSPB) Administrative Judges must consider
- Require use of multiple years of performance ratings for reduction in force
- Require written performance standards
- Establish a minimum 6% salary increase in promotions
- Allow the Secretary to authorize bargaining on procedures management follows when exercising operational management rights if Secretary determines that bargaining is necessary to advance the Department's mission or to promote organizational effectiveness, just to name a few.

Why NSPS?

DoD has a critical national security mission and must stay ahead of determined and dangerous adversaries. DoD needs the ability to act swiftly and decisively in response to national security threats and other mission needs. DoD civilians are integral to the Department's ability to successfully fulfill its mission. Consequently, DoD must be able to attract and retain highly talented and motivated employees who are committed to excellence. NSPS will provide DoD with a modernized system that will provide the essential tools to hire more quickly, offer competitive salaries, and compensate and reward employees based on their performance and contribution to the mission.

Key Events/Activities

- November 24, 2003, NSPS authorized by National Defense Authorization Act
- Summer 2004, Over 100 Focus Groups and 50 town hall meetings to gain input from employees, supervisors and employee labor organizations
- April-October 2004, DoD/OPM Design Teams with 38 participants in working groups developed the labor relations and appeals options
- January-December 2004, Labor organization meetings to gather input into design
- July-October 2004, DoD/OPM Design Teams with over 100 participants representing a cross section of DoD in working groups developed the human resources options
- February 14, 2005, Proposed Regulations published in Federal Register
- February-March 2005, Public Comment Period (over 58,000 comments received)
- April-June 2005, Meet and Confer with labor organizations
- October 2005, Final Regulations published

NSPS Highlights

- Focuses and rewards personal contributions toward our Nation's defense
- Stimulates communications so employees know what's expected
- Encourages employees to take ownership of their performance and successes
- Increases pay based on performance and mission contribution
- Promotes broader skill development and advancement opportunities

- Labor Relations system respects employee collective bargaining rights and union participation, and meets Department's need to act swiftly to execute our mission
- Protects merit principles and due process rights and creates procedural efficiencies in resolving discipline or performance issues

What NSPS Does NOT Change

- Merit System Principles
- Whistleblower protections
- Rules against prohibited personnel practices
- Veterans Preference
- Anti-discrimination laws
- Fundamental due process
- Benefits (retirement, health and life insurance, leave and work schedules, etc.)
- Allowances and travel/subsistence expenses
- Training
- Other personnel systems in law
- Lab Demo organizations (until FY 08)

What Employees Can Expect

Employees Covered by NSPS - The vast majority of DoD civilian employees will be covered by these regulations. Certain categories of employees are excluded, including intelligence personnel and employees in the DoD laboratory organizations specified in the NSPS law. However, there are some employees who will only be covered by certain provisions. NSPS Labor Relations provisions will be implemented across the entire Department once final regulations are issued and effective, and will cover all DoD employees currently covered by the labor relations provisions of title 5, Chapter 71.

The final regulations contain guidance concerning which employees are eligible to be covered by NSPS.

Performance Management - The linchpin of NSPS is performance management. The goal is straightforward – employees should clearly know what is expected of them, know how what they

do supports the mission and strategic goals, and should have confidence in their managers' ability to recognize and distinguish levels of performance. Similarly, employees should be held accountable for their performance and should expect the quality of their performance and their contributions to the mission to be a major factor in decisions regarding salary increases or performance bonuses. Employees, supervisors, and managers will be provided with training opportunities that will be designed to reinforce this and to equip them with the skills and tools that will assist them in this transformation.

Transition from General Schedule to Pay Banding - One of the most fundamental changes is a pay banding structure to replace the General Schedule. Under NSPS, pay increases will be based on performance – not time-in-grade.

Compensation will also be based on market conditions – providing for increases based on occupation and locality, rather than assuming that all occupations should be compensated equally. The combination of market-based pay and the culture of accountability that accompanies a performance-based compensation system will foster a work environment that attracts, rewards, and retains the best talent for the Department of Defense.

Labor Management Relations Supports National Security Mission – To ensure the Department has the flexibility to carry out its vital mission, the regulations ensure that the Department can act as and when necessary. The Department has preserved collective bargaining for DoD employees. While the final regulations modify the scope of bargaining, they strike a balance between employee interests and DoD's need to accomplish its mission effectively and to respond swiftly to ever-changing national security threats. An independent National Security Labor Relations Board will be established to expeditiously resolve issues between management and employee representatives.

Adverse Actions Processes are Streamlined - While the vast majority of DoD employees perform their jobs day in and day out with the utmost level of professionalism and dedication, occasionally situations dictate performance and/or disciplinary corrective measures. Recognizing the critical nature of the Department's mission, NSPS has been designed to provide for the expeditious and fair handling of these actions. Accordingly, these regulations

provide a 15-day notification period for taking adverse actions. Additionally, the identification and use of Mandatory Removal Offenses is allowed, but not before they are publicized in the Federal Register and regularly made known to all employees. These new processes are designed to be easier to understand and are streamlined to include quicker resolution of employee appeals. Employee due process remains protected, as does the ability to file negotiated grievances that end in binding arbitration, and adjudication by the Merit Systems Protection Board.

Key Elements of the National Security Personnel System

General	Classification	Compensation
<ul style="list-style-type: none"> Consistent with merit system principles and prohibitions against prohibited personnel practices Protects veterans' preference Establishes continuing role of Office of Personnel Management (OPM) 	<ul style="list-style-type: none"> Creates simple, flexible system Positions grouped in broad career groups and pay schedules based on nature of work, career patterns, competencies Flexibility to assign employees new or different work Movement through pay band based on performance, contribution, increased responsibility or job complexity Position descriptions require much less detail 	<ul style="list-style-type: none"> Performance replaces longevity as basis for individual pay increases Can attract, develop, retain, and reward high-performing employees through appropriate compensation Provides framework for movement towards market sensitive pay Allows greater flexibility in pay setting upon promotion, reassignment and hiring Employees rated as unacceptable do not receive pay increases
Performance Management	Staffing & Employment	Workforce Shaping
<ul style="list-style-type: none"> Fosters high-performing culture Aligns performance goals and expectations with mission goals Requires written performance plans Requires ongoing feedback and communication between supervisor and employee Performance includes conduct and behavior Requires ratings that reflect meaningful distinctions in employee performance Retains employee right to seek reconsideration through negotiated grievance process or administrative reconsideration process 	<ul style="list-style-type: none"> Ability to adapt quickly to mission needs Streamlined promotion and hiring processes Ability to create DoD hiring authorities Provides pay setting flexibilities Ability to create DoD-specific qualification requirements Veterans' Preference rights protected 	<ul style="list-style-type: none"> Streamlined, mission responsive More emphasis on performance Four retention factors remain; tenure, veterans' preference, performance, and seniority Less disruptive to employees and mission Veterans' Preference rights protected
Adverse Actions	Appeals	Labor Relations
<ul style="list-style-type: none"> Establishes single, streamlined process of taking actions based on performance and/or conduct Shortened time limits to expedite the process Establishes authority to identify mandatory removal offenses (to be identified) Retains due process and protections against whistleblowers and discrimination 	<ul style="list-style-type: none"> Creates streamlined process Preserves due process Expedited appeals process Retains Merit Systems Protection Board (MSPB) and arbitration Changes burden of proof to single "preponderance" standard Limited penalty mitigation 	<ul style="list-style-type: none"> Recognizes DoD's national security mission and need to act swiftly Preserves collective bargaining with limits on scope of bargaining Provides for continuing collaboration with unions in developing implementing issuances on matters historically not subject to collective bargaining Establishes Independent National Security Labor Relations Board to adjudicate labor disputes.

When Will These Changes Happen?

It will take time and effort to fully implement NSPS. To allow ample opportunity for training and program evaluation, we will convert employees into NSPS over the next few years. Spiral 1, the first group, includes those employees currently in GS, GM, or Acquisition Demonstration projects in selected DoD organizations. Employees in non-GS pay systems, including wage grade employees, will be in Spirals 2 and 3.

Early FY 2006

- Implement Labor Relations System across DoD for employees currently covered by Chapter 71, title 5 United States Code
- Commence training
 - Employees: HR Elements for Employees; Performance Management for Employees
 - Managers/supervisors: HR Elements for Managers/Supervisors; Performance Management for Managers/Supervisors; Pay Pool Management for Managers/Supervisors
 - HR Practitioners: HR Practitioners Course

Early CY 2006

- General Pay Increase for all eligible civilian employees
- Implement Spiral 1.1, ~65,000 employees

Spring 2006

- Implement Spiral 1.2, ~48,000 employees

Fall 2006

- Performance cycle ends for Spirals 1.1 and 1.2
- Implement Spiral 1.3, ~160,000 employees

Early CY 2007

- First performance based payout under NSPS for Spirals 1.1 and 1.2

Early CY 2008

- Performance-based payout for the rest of Spiral One

Still to Come

Employee Transition Plan (Spiral Strategy) - Once Spiral One has been implemented, DoD will assess and subsequently certify the performance management system. The second spiral will include Federal Wage System employees, overseas employees, and other eligible employees. Spiral Three will comprise the DoD labs currently excluded by the NSPS statute, should the Secretary of Defense make the determination to include them.

Continuing Collaboration and Development of Implementing Issuances – The Department will engage in continuing collaboration with employee representatives in developing implementing issuances. These issuances will provide the details for carrying out the provisions included in the NSPS regulations. This collaboration process will provide employee representatives an opportunity to submit written comments and discuss their views on human resources management issues. Continuing collaboration provides an historic opportunity for employee representatives to have input into the development of the Department's human resources management system, as well as certain aspects of the adverse actions, appeals, and labor relations programs.

Establishment of the National Security Labor Relations Board (NSLRB) - The NSLRB is an independent board that resolves issues between management and employee representatives, including the scope of bargaining, duty to bargain in good faith, negotiation impasses, and exceptions to arbitration awards. The Board will be composed of at least three members, appointed by the Secretary. Members must be distinguished citizens of the United States who are well known for their integrity, impartiality, and expertise in labor relations and/or national security matters. DoD labor unions will be asked to provide nominees for the Secretary's consideration.

Additional Key Program Aspects

Communications Efforts – Employees across the Department will be kept informed of program plans and changes. The comprehensive communications program will include town hall briefings, lists of frequently asked questions, Employee Fact Sheet, articles in local and base newspapers, and extensive use of Component and DoD Web Pages. Additionally, DoD

and Component leaders will ensure discussions on program changes occur between local management and employees.

Training – The NSPS training plan is a comprehensive, well-planned learning strategy to prepare the DoD workforce for the transition to NSPS. Specialized courses for all of the functional areas covered by the NSPS regulations, tailored for specialized audiences (e.g., supervisors/managers, human resources practitioners, attorneys, and non-supervisory employees). These courses will cover pay banding, staffing flexibilities, performance management, labor relations, the appeals process, and other matters. Managers and supervisors, including military managers and supervisors, will be given extensive training to ensure their understanding of the system and the key role they play. NSPS Program Managers will provide more specific information on training courses, dates, and schedules.